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HOUSE OF REPRESENTATIVES
COMMITTEE ON
INSURANCE
ANALYSIS

BILL #: CS/HB 1393

RELATING TO: Hurricane Loss Mitigation Program

SPONSOR(S): Committee on Insurance; Representative(s) Spratt and Alexander

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) INSURANCE YEAS 13 NAYS 0
(2) TRANSPORTATION & ECONOMIC DEVELOPMENT APPROPRIATIONS
(3) COUNCIL FOR SMARTER GOVERNMENT
(4)
(5)

I. SUMMARY:

The Legislature created the “Bill Williams Residential Safety and Preparedness Act,” effective fiscal year 2000-2001. Under this act, the Legislature annually allocates $10 million from the Florida Hurricane Catastrophe Fund to the Department of Community Affairs, which must use 30 percent, $3 million, to retrofit existing public hurricane shelters. Of the $10 million, 70 percent, $7 million, is allocated to fund the Hurricane Loss Mitigation Program. The Legislature earmarked:

- One-half, $3.5 million, for the Department of Community Affairs for mitigation projects developed by the Department of Community Affairs and the Hurricane Loss Mitigation Program Advisory Council;
- At least 40 percent, $2.8 million, for mobile home mitigation projects; and
- 10 percent, $700,000, for use by a Type 1 Center within the State University System to research and develop hurricane loss reduction devices and techniques for residences and mobile homes.

CS/HB 1393 would make changes to the Hurricane Loss Mitigation Program and the allocation of these funds, including:

- Requiring $500,000 of the $3 million earmarked for hurricane shelters to be used on a factory-built school shelter demonstration project with local school districts.
- Eliminating the scheduled annual reduction of the $2.8 million allocated for improving tie-downs in mobile homes.
- Requiring the Type I Hurricane Center to develop a work plan to eliminate barriers to upgrading existing homes and communities; to research and develop a program for recycling older mobile homes and manufactured homes; and to support programs relating to hurricane loss reduction techniques for residences.
- Extending the repeal of the Hurricane Loss Mitigation Program from June 30, 2002 to June 30, 2006.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

1.	Less Government	Yes []	No []	N/A [X]
2.	Lower Taxes	Yes []	No []	N/A [X]
3.	Individual Freedom	Yes []	No []	N/A [X]
4.	Personal Responsibility	Yes []	No []	N/A [X]
5.	Family Empowerment	Yes []	No []	N/A [X]

For any principle that received a “no” above, please explain:

B. PRESENT SITUATION:

Funding for Hurricane Loss Mitigation through the Florida Hurricane Catastrophe Fund

In 1993, the Legislature created the Florida Hurricane Catastrophe Fund (Cat Fund) in the aftermath of Hurricane Andrew to provide a form of reinsurance for residential property insurers in the state.[1] The Cat Fund executes reimbursement contracts with insurers in exchange for payment of a premium. Premiums paid by insurers are calculated based on their catastrophic exposure. Insurers may in turn recoup these Cat Fund premiums paid through premiums charged to their policyholders or as a premium surcharge.

The Legislature must appropriate at least $10 million, but no more than 35 percent of the investment income from the Cat Fund for mitigation purposes:

> “to support programs intended to improve hurricane preparedness, reduce potential losses in the event of a hurricane, provide research into means to reduce such losses, educate or inform the public as to means to reduce hurricane losses, assist the public in determining the appropriateness of particular upgrades to structures or in the financing of such upgrades, or protect local infrastructure from potential damage from a hurricane.”[2]

Moneys in excess of $10 million are not available for appropriation if the State Board of Administration finds that such an appropriation would jeopardize the actuarial soundness of the fund.

The Internal Revenue Service has declared the Cat Fund immune from federal taxation because it serves a public purpose with only an incidental benefit to the private sector. The mandatory use of some portion of Cat Fund moneys for the public purpose of mitigation was one factor relied upon by the Internal Revenue Service in granting tax-exempt status to the Cat Fund.

Allocation of Cat Fund Mitigation Dollars

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[1] Section 215.555, F.S.
[2] Section 215.555(7)(c), F.S.

The Legislature created the "Bill Williams Residential Safety and Preparedness Act,"[3] effective fiscal year 2000-2001. Under this act, the Legislature allocated $10 million to the Department of Community Affairs. Of the $10 million, 70 percent, $7 million, is allocated to fund the Hurricane Loss Mitigation Program, which supports efforts to improve the wind resistance of residences and mobile homes, and provide loans, subsidies, or grants, fund demonstration projects and cooperative programs with local governments and the federal government, and other efforts to reduce losses or the cost of rebuilding after a hurricane. Of the 70 percent, the Legislature earmarked:

- One-half, $3.5 million, for the Department of Community Affairs for a variety of mitigation projects developed by the Department of Community Affairs in consultation with the Hurricane Loss Mitigation Program Advisory Council.[4]

- At least 40 percent, $2.8 million, specifically for mobile home mitigation projects, including programs to inspect and improve tie-downs, construct and provide safety structures, and provide other means to reduce losses. Projects have been undertaken in Manatee, Marion, Martin, Okaloosa, Pasco, Pinellas, Polk, and Volusia counties and the city of Jacksonville. The percentage allocated is scheduled to decrease in fiscal year 2001-2002, to 30 percent, and then 20 percent the following year.[5]

- 10 percent of the $7 million, $700,000, for use by a Type 1 Center within the State University System[6] to support programs of research and development of hurricane loss reduction devices and techniques for residences and mobile homes.

The Department of Community Affairs must use the remaining 30 percent, $3 million, to retrofit existing public hurricane shelters.

C. EFFECT OF PROPOSED CHANGES:

CS/HB 1393 would make changes to the Hurricane Loss Mitigation Program and the allocation of these funds, including:

- Requiring the allocation of $500,000 of the $3 million earmarked for hurricane shelters to local school districts to fund a factory-built school shelter demonstration project. The funds could not be used to provide more than 25 percent of the cost of a factory-built school shelter.

- Requiring the $2.8 million allocation for mobile home projects be used to inspect and improve tie-downs for mobile homes. The Department of Community Affairs would be required to contract with a public higher education institution in the state that has previous experience administering these programs to serve as the administrative entity and fiscal agent to administer the program to inspect and improve mobile home tie-downs.[7] The bill

[3] Section 215.559, F.S.
[4] The Secretary of the Department of Community Affairs appoints council members, as follows: a representative of the Department of Insurance, home builders, insurers, Federation of Mobile Home Owners, Florida Association of Counties, and the Florida Manufactured Housing Association.
[5] The Hurricane Loss Mitigation Program is repealed, effective June 30, 2002 (s. 215.559(8), F.S.).
[6] According to the Department of Community Affairs, the Type I Center receiving these funds is Florida International University.
[7] One public higher education institution with previous experience administering these programs is Tallahassee Community College.

would eliminate funding for loans, grants, subsidies, and direct assistance and would eliminate the scheduled annual reduction of the $2.8 million allocated for improving tie-downs in mobile homes.

- Requiring the Type I Hurricane Center to use the $700,000 allocated from the Hurricane Loss Mitigation Program to develop a work plan, approved by the Hurricane Loss Mitigation Advisory Council, to eliminate barriers to upgrading existing homes and communities; to research and develop a program for recycling older mobile homes and manufactured homes; and to support programs relating to hurricane loss reduction techniques for residences.

- Removing the provision requiring the Secretary of the Department of Community Affairs to choose the members of the Hurricane Loss Mitigation Program Advisory Council. The members would be designated by their respective industry and would not fall under the provisions of Part III, Chapter 112.

- Extending the repeal of the Hurricane Loss Mitigation Program from June 30, 2002 to June 30, 2006.

D. SECTION-BY-SECTION ANALYSIS:

N/A

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Private entities manufacturing, installing, or inspecting tie-downs for manufactured housing or mobile homes could benefit from this bill, as there would be more funds allocated to the installation and inspection of tie-downs. Insurance companies could experience fewer wind losses as the result of greater wind resistance of insured residences, mobile homes, or manufactured houses.

D. FISCAL COMMENTS:

None

IV. <u>CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION</u>:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take an action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. <u>COMMENTS</u>:

A. CONSTITUTIONAL ISSUES:

None

B. RULE-MAKING AUTHORITY:

None

C. OTHER COMMENTS:

N/A

VI. <u>AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES</u>:

On March 28, 2001, the Committee on Insurance adopted one amendment to the bill and reported the bill as a committee substitute. The committee substitute differs from the bill as filed in that the committee substitute would:

- Allocate the $10 million to the Department of Community Affairs, as in current law, rather than the Department of Insurance.

- Allocate $3 million to retrofit existing public hurricane shelters, which the bill would have eliminated. Additionally, the committee substitute would set aside $500,000 of the $3 million to develop a factory-built school shelter demonstration project with local school districts. The funds could not be spent on more than 25 percent of the cost of a factory-built school building.

- Earmark $2.8 million improve tie-downs in mobile homes, as in current law, rather than $4 million in the bill as filed, and eliminate the scheduled reduction of funds allocated for this purpose.

- Allocate $700,000 to the Type I Hurricane Center (i.e., Florida International University), as under current law. The committee substitute would require the Type I Hurricane Center to develop a work plan to eliminate barriers to upgrading existing homes and communities; to research and develop a program for recycling older mobile homes and manufactured homes; and to support programs relating to hurricane loss reduction techniques for residences.

- Remove the provision in the bill as filed to eliminated the Hurricane Loss Mitigation Advisory Council. The committee substitute would require that advisory council members be designated by their respective industry, rather than by the Secretary of the Department of Community Affairs.

- The committee substitute would extend the repeal of the Hurricane Loss Mitigation Program from June 30, 2002, as under current law, to June 30, 2006.

VII. SIGNATURES:

COMMITTEE ON INSURANCE:

Prepared by:	Staff Director:
Meredith Woodrum Snowden	Stephen T. Hogge